

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## STATE TRADING

### Notifications Pursuant to Article XVII:4(a)

#### AUSTRALIA

The permanent mission of Australia has notified the secretariat that section II(b) and III(b) of L/4140/Add.10 should be replaced by the following notification.

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#### II. Reason and purpose for introducing and maintaining State-trading enterprises

##### (b) Australian Dairy Corporation

The Australian Government in 1924, at the request of the dairy industry introduced the Dairy Produce Export Control Act to regulate the overseas marketing of butter and cheese. The Act was brought into force after receiving a majority of votes in a poll of producers and it set up a Dairy Produce Control Board which was subsequently renamed the Australian Dairy Produce Board in 1935. The main purpose of establishing the Board was to ensure that the marketing of dairy produce overseas was not fragmented and to help ensure that producers received the best available returns on the world market.

The Board's original functions were entirely regulatory. It was empowered to regulate the handling, marketing and storage of dairy produce as prescribed for export, the timing, terms and quantities of export shipments and the conditions of export sales. These powers were exercised by the prohibition of exports of butter and cheese except in accordance with a licence issued by the Minister on the recommendation of the Board.

Since the Board was established there have been a number of modifications in its functions. In 1935 it was empowered to advise the Minister on action to improve the quality of dairy produce, transport questions and the expansion and development of new

and existing markets. The Dairy Produce Export Control Act was amended in 1954 to make the Board the sole exporter of butter and cheese to the United Kingdom. The Board as a trading authority did not physically handle the goods. It purchased butter and cheese destined for the United Kingdom from exporters who undertook to export, handle and sell through appointed agents in London. With the United Kingdom entry into the European Economic Community (EEC) in February 1973 Australia was effectively excluded from that market.

In 1958, at the request of the dairy industry the Australian Government passed legislation enabling the Board to administer a research and sales promotion scheme in Australia financed by a levy on the production of butter and cheese, and with the Government contributing on a dollar for dollar basis towards those funds actually expended on research. The purpose of this scheme was to increase efficiency where possible in the various sectors of the dairying industry and to promote the sale of butter and cheese on the local market.

In 1965, in the interests of efficiency and economy, the levy on production of butter and cheese for research and sales promotion and the levy on exports of butter and cheese, which provided the Australian Dairy Produce Board with funds for overseas market development, were combined into one levy to cover all the Board's requirements. Responsibility for administering the research programme was transferred from the Australian Dairy Produce Board to a separate statutory body, the Dairying Research Committee. In 1972 a separate research levy was instituted to cover both market milk and milk for manufacture. The Australian Dairy Produce Board continued to administer both domestic sales promotion and overseas market development programmes.

In an endeavour to strengthen the capability of the Board to accord more closely with the circumstances of 1975 and beyond the Government reconstituted the Board under the Dairy Produce Act 1924-1975 as the Australian Dairy Corporation which commenced operations on 1 July 1975.

The existing powers of the Australian Dairy Produce Board were assumed by the Corporation with additions in three main areas where it was considered that a change would benefit the industry and improve the Corporation's operations. Firstly, the Corporation's regulatory functions were strengthened by providing it with specific power, after consultation with appropriate industry bodies to determine the quantity of dairy produce to be exported to a particular country or countries in the course of a season. Secondly, the Corporation can be granted monopoly trading power for specific export markets by regulation after consultation with the industry. Thirdly, the Corporation's borrowing powers were extended.

III. Description of the functioning of the State-trading enterprises

(b) Australian Dairy Corporation

(i) The Australian Dairy Produce Board was reconstituted under the Dairy Produce Act 1924-1975 as the Australian Dairy Corporation and commenced operation on 1 July 1975. It is a statutory body with powers relating to the export of dairy produce as prescribed. These are currently butter, anhydrous milkfat, dry butterfat and mixtures not less than 40 per cent anhydrous milkfat and dry butterfat, ghee, cheese skim milk powder, casein and caseinates. Its authority does not extend to processed milk products such as condensed milk, evaporated milk, full cream milk powder etc.

The Corporation has no authority to import dairy products or to regulate imports of dairy products.

(ii) Only persons licensed by the Australian Minister for Primary Industry, on the recommendation of the Australian Dairy Corporation can export prescribed dairy products. In practice licences are issued to traders who have been appointed agents by butter and cheese factories. However, unlicensed private traders may export through one of these agents.

As part of its regulatory functions the Corporation regulates the handling and storage of all dairy products as prescribed for export; the timing, terms and conditions (including minimum prices) of export shipments as well as conditions of sale. Export sales made on a trader-to-trader basis are subject to the conditions and restrictions made by the Corporation under the Dairy Produce Export Control Regulations. Control is achieved through export permits issued by the Corporation to licensed exporters.

The Corporation has the power to purchase dairy produce and sell to other markets but this is not an exclusive right. The Corporation's power to purchase does not permit it to acquire produce compulsorily, but it can arrange sales on such terms as it thinks fit for produce placed under its control, e.g. sales to Government agencies.

(iii) The Corporation has specific power, after consultation with appropriate industry bodies, to determine the quantity of dairy produce which will be exported to a particular country or countries in the course of a season. The Corporation can also be granted monopoly trading powers to specific markets by regulation but this can only be achieved after prior consultation and approval of the representative industry bodies. The purpose of this is to ensure that adequate supplies are available for domestic consumption and to allow the Corporation to meet specific overseas obligations, particularly by way of long-term supply arrangements.

(iv) Export prices are determined on a normal competitive commercial basis, but for most markets the Corporation periodically determines minimum export prices below which traders may not export.

(v) The Corporation with the support of the Australian dairy industry, has signed an agreement with Iran for the long-term supply of Australian dairy products mainly for recombining purposes. A similar arrangement exists with Peru. No other contracts involving delivery over a long term have been arranged by the Corporation, however, some contracts negotiated have required shipment over a period of twelve months, such as sales of skim milk powder to Mexico and to Japan for its School Lunch Programme.